



December 16, 2005

The Honorable Larry Phillips, Chair
Metropolitan King County Council
Room 1200
C O U R T H O U S E

Dear Councilmember Phillips:

I am signing Ordinance 15334, which makes net supplemental appropriations to various general fund agencies and non-general fund agencies, with the exception of a partial veto of language in Sections 4, 6, 7, 9, 12, 14, and 15, that I am vetoing.

As originally proposed, Ordinance 15334 was intended to provide supplemental appropriations to county agencies necessary to assure the continuity of business operations in 2005. This included expenditures for fuel cost increases for several county agencies, necessary overtime costs, reimbursable work in the Roads Services Division, debt service on county debt, and to make certain technical corrections to the 2005 budget.

The Council has instead added \$3.8 million of Current Expense (CX) funds to various agencies and programs, almost all of which are outside of the operations of county government. This was done less than two weeks after the Council adopted a 2006 budget in which it stated that *"The metropolitan King County council, ...works throughout the year to bring down the cost of government and improve the effectiveness of services."*

The budget went on to say *"Although the general fund will continue to face a structural gap for the foreseeable future, the size of the structural gap has been reduced as the local economy and revenue growth have recovered and the growth of expenditures has been reduced through the initiatives and policies that the council has set in place over the last several years. Over the next few years, one-time reserves will help the county to meet expected budget needs, such as the rising cost of health care and continued investments in technology The 2006 budget continues to implement long-standing financial policies that limit debt levels and maintain healthy general fund reserves."*

The actions of the Council in adopting the increases in expenditures in Ordinance 15334 belie the commitment of the county to the very practices that resulted in the county receiving triple A debt ratings from all three of the major rating agencies: Standard & Poors, Moody's and

FitchRatings. As acknowledged by the Council in the 2006 adopted budget the establishment and maintenance of reserves is a critical and a necessary element in our ability to meet our longer term budget needs. Yet the Council's actions drain those very reserves to provide funding to agencies which are not a part of the county family.

Further, I am concerned that many of the Council's additions will create a "bow wave" that impacts the ongoing expenses of the county. Some of the additions are clearly one-time in nature, but many appear to at least build the expectation of permanent future funding from the county. While the county's current financial condition is able to provide funding for some programs of a one-time nature, now is not the time to add new programs and endanger the financial status we have achieved. Use of reserves to fund special programs not only sets future expectations, it also amounts to eating our seed corn – the resources we look to fund our essential services in the future.

As the Council knows, it is not uncommon and not unexpected that some additions to omnibus ordinances will be made by the Council. But the sheer magnitude of the additions made in the 4th quarter omnibus ordinance makes the additions made in the 1st, 2nd and 3rd quarter supplementals pale in comparison. In the 1st quarter omnibus ordinance the Council added \$202,144 in CX expenses; in the 2nd quarter omnibus ordinance the Council added \$391,000; and in the 3rd quarter omnibus ordinance the Council added \$258,000 -- a combined total of less than \$852,000. Yet in the 4th quarter omnibus alone the Council added \$3,800,000 in new CX expenditures – almost four and one half times the amount in the first three quarter's ordinances combined. This is also substantially more than the \$1,594,300 the Council added for special programs in adopting the 2006 budget. The attached spreadsheet itemizes the additions made by the Council in each of the four quarterly omnibus ordinances. In aggregate, the Council added almost \$4.6 million in CX expenses to omnibus ordinances over the course of 2005 – almost none of which was made for county agencies.

I am also concerned that Council CX additions to the various omnibus ordinances are not subject to some public review through the Council's committee processes. None of the additions made in the 4th quarter omnibus ordinance were discussed nor even identified in Council staff reports on the ordinance. Executive staff were only made aware of the additions in reviewing the committee striker ordinance. The public would have no reasonable way of knowing or having the ability to comment on the ordinance until after it was adopted by the Council. Such a practice does not help our efforts to make County processes and practices more transparent and open to the public.

Certain of the additions made by the Council in the 4th quarter supplemental cause me concern. Several of the additions were made in allocations to agencies which were already included in my 2006 proposed budget and in the budget the Council adopted. While these additional funds may be justified, it is puzzling that the Council did not address the allocations to these agencies in considering the 2006 budget.

The Honorable Larry Phillips

December 16, 2005

Page 3

The impact of Sections 6 and 14 of the adopted ordinance is to transfer \$1,855,000 to 4Culture for six named projects. I believe this approach is not appropriate. As my staff has reported to you, I strongly support the idea of asking 4Culture to help us develop criteria for assessing whether the county should make investments in community facilities and perhaps to conduct that assessment and make recommendations to the county on which of the many competing requests should be funded and at what levels. The Council's ordinance would simply give funding to 4Culture with direction as to how the money must be spent. This is an inappropriate role for 4Culture. 4Culture is an important agency in promoting and funding the various art, cultural, and heritage programs of the county, but contracting of county funds with outside agencies must be the responsibility of the county, not 4Culture.

For the reasons stated above, I am vetoing Sections 4, 6, 7, 9, 12, 14, and 15 of Ordinance 15334. The rest of the ordinance I am returning to you with my approval.

Sincerely,

Ron Sims
King County Executive

Enclosure

cc: King County Councilmembers
 ATTN: Scott White, Chief of Staff
 Shelley Sutton, Policy Staff Director
 Rebecha Cusack, Lead Staff, BFM Committee
 Anne Noris, Clerk of the Council
Kurt Triplett, Chief of Staff, County Executive Office
Bob Cowan, Director, Office of Management and Budget